

Message Text

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TO AMEMBASSY LONDON IMMEDIATE

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TAGS:EEC, PFOR

SUBJECT:US/EC PRESIDENCY DIALOGUE -- JANUARY 25-26 EC
POLITICAL DIRECTORS MEETING (MIDDLE EAST)

REF: LONDON 00262

1. IN CONNECTION WITH SUBJECT MEETING, EMBASSY IS REQUES-
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TED TO CONVEY FOLLOWING ANALYSIS OF MIDDLE EAST SITUATION
TO BRITISH IN THEIR EC PRESIDENCY CAPACITY.

2. ISRAEL - ASSESSMENT OF THE INTERNAL POLITICAL SITUATION.
ISRAELI POLITICS ARE HIGHLY COMPLEX AND ARE CHARACTERIZED

BY A PROLIFERATION OF PARTIES AND FACTIONS AND WIDE

DIVERGENCES ON KEY ISSUES AMONG THE PARTIES. THESE CONDITIONS HAVE TRADITIONALLY MADE IT IMPOSSIBLE FOR ONE PARTY TO GAIN A MAJORITY IN THE KNESSET (PARLIAMENT) AND HAVE NECESSITATED THE FORMATION OF COALITION GOVERNMENTS.

THE POLITICAL SITUATION IS MORE UNCERTAIN IN 1977 THAN IN ANY PREVIOUS ELECTION YEAR BECAUSE THE LABOR PARTY'S PRIMACY HAS BEEN SO ERODED BY THE 1973 WAR AND RECENT

POLITICAL SCANDALS.

THE

LABOR PARTY HAS NEVER ENTERED AN ELECTION CAMPAIGN IN SO WEAKENED A CONDITION.

THE ISRAELI POLITICAL SCENE CURRENTLY IS DOMINATED BY MANEUVERINGS FOR THE PARLIAMENTARY ELECTION TO BE HELD ON MAY 17. THIS PRE-ELECTION ACTIVITY IS TAKING PLACE AGAINST A BACKDROP OF A CRISIS OF CONFIDENCE IN THE GOVERNMENT'S ABILITY TO MANAGE ISRAEL'S PROBLEMS THAT WILL GREATLY AFFECT THE ELECTION OUTCOME:

-- A WIDENING POLITICAL SCANDAL IN THE GOVERNING LABOR PARTY;

-- A GROWING SENSE OF ANGER AND FRUSTRATION AMONG THE PUBLIC OVER THE IMPACT ON LIVING STANDARDS OF RAMPANT INFLATION, THE LABOR GOVERNMENT'S FAILURE TO ADDRESS A HOST OF PRESSING SOCIAL PROBLEMS, AND ITS INABILITY TO CONTROL LABOR UNREST.

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PRE-ELECTION TIMETABLE -- DESPITE THE LABOR PARTY'S DIFFICULTIES, FOR THE MOMENT, AT LEAST, IT REMAINS AT THE HUB OF ISRAELI POLITICS. THREE KEY EVENTS THAT WILL OCCUR BETWEEN NOW AND THE MAY 17 POLLING DATE INVOLVE THE LABOR PARTY:

-- INTERNAL LABOR PARTY ELECTIONS FEBRUARY 1 AT LOCAL BRANCHES ACROSS THE COUNTRY TO SELECT DELEGATES TO THE PARTY CONVENTION;

-- HOLDING OF THE LABOR PARTY CONVENTION, EXPECTED ABOUT FEBRUARY 23, FOR 3-4 DAYS; THE CONVENTION WILL ELECT THE NEW CENTRAL COMMITTEE AND ADOPT THE PARTY PLATFORM;

-- MEETING OF THE NEW CENTRAL COMMITTEE, PROBABLY SOME TIME IN MARCH.

THE LABOR PARTY WILL FACE THREE CRUCIAL DECISIONS IN COMING WEEKS: DESIGNATION OF THE PARTY'S CANDIDATE FOR PRIME MINISTER, COMPOSITION OF THE KNESSET LIST, AND RANK

ORDERING OF THE LIST. THESE DECISIONS, WHICH TECHNICALLY WILL BE MADE BY THE METHODS DESCRIBED BELOW, ACTUALLY WILL EMERGE AS A CONSEQUENCE OF BEHIND-THE-SCENES NEGOTIATIONS AMONG THE PRINCIPAL FACTIONS AND KEY COMPONENTS OF THE PARTY MACHINE. THE OUTCOME WILL REFLECT

THE BALANCE OF POWER WITHIN THE PARTY AND THE JUDGMENT OF KEY PARTY ELEMENTS ABOUT THE SERIOUSNESS OF LABOR'S SITUATION AND ABOUT THE MEASURES THE PARTY MUST TAKE TO AVOID A SERIOUS ELECTION DEFEAT.

IN THIS CONTEXT, THE PARTY'S CANDIDATE FOR PRIME MINISTER WILL PROBABLY BE DETERMINED IN ONE OF THE FOLLOWING WAYS:

-- THE CONVENTION ITSELF MAY SELECT THE CANDIDATE FOR PRIME MINISTER (PERES IS LOBBYING FOR THIS APPROACH).
-- ALTERNATIVELY, THE NEW CENTRAL COMMITTEE MIGHT
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SELECT THE NOMINEE FOR PRIME MINISTER DURING THE CONVENTION.

-- IT IS ALSO POSSIBLE (THOUGH VERY UNLIKELY) THAT THE OLD CENTRAL COMMITTEE WILL SELECT LABOR'S STANDARD BEARER.
-- ATTEMPTS BY RABIN'S SUPPORTERS TO HAVE THE LEADERSHIP BUREAU (A FORMAL INSTITUTION DOMINATED BY THE PARTY'S OLD GUARD) SELECT THE NOMINEE FOR PRIME MINISTER ARE UNLIKELY TO SUCCEED.

IF THE PARTY'S NOMINEE FOR PRIME MINISTER IS NOT DETERMINED WHEN THE CONVENTION MEETS, HE WILL BE DESIGNATED AT A FUTURE CENTRAL COMMITTEE MEETING. (AN ATTEMPT BY RABIN'S PARTISANS TO GO INTO THE ELECTION WITHOUT DETERMINING THE NOMINEE FOR PRIME MINISTER UNTIL AFTER THE ELECTIONS IS POSSIBLE BUT NOT PROBABLE.)

THE COMPOSITION OF LABOR'S KNESSET LIST WILL BE DETERMINED BY NEGOTIATIONS WITHIN THE PARTY MACHINE. THE CENTRAL COMMITTEE AND THE CONVENTION WILL HAVE TO CONFIRM THE PROPOSED KNESSET LIST, WHICH MAY BE DRAWN UP BY A SPECIAL NOMINATING COMMITTEE.

THE PARTIES THAT MAKE UP THE MAJOR OPPOSITION -- THE LIKUD BLOC -- WILL UNDERTAKE NEGOTIATIONS IN COMING WEEKS TO DETERMINE THE SHARE OF THE SAFE SEATS THAT EACH WILL RECEIVE ON THE LIKUD KNESSET LIST. MENAHEM BEGIN WILL BE THE LIKUD CANDIDATE FOR PRIME MINISTER.

THE NEW PARTIES -- THE DEMOCRATIC MOVEMENT (YIGAEI YADIN) AND SHLOM-ZION (ARIK SHARON) -- HAVE NOT MADE CLEAR THE

PROCEDURES OR TIME-FRAME FOR DETERMINING THEIR LISTS, BUT THE BASIC PRINCIPLES AND PROCEDURES WILL BE ANALOGOUS TO THOSE OF THE ESTABLISHED PARTIES.

RECENT DEVELOPMENTS.

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A NUMBER OF RECENT DEVELOPMENTS WILL HAVE AN IMPORTANT BEARING ON THE MAY 17 ELECTIONS:

-- NOVEMBER 16. SHARON ESTABLISHED A NEW POLITICAL PARTY, SHLOM-ZION, A CONSERVATIVE GROUP THAT TAKES A HARD LINE ON SECURITY ISSUES.
-- NOVEMBER 22. YADIN ESTABLISHED A NEW POLITICAL PARTY, THE DEMOCRATIC MOVEMENT, A NON-SOCIALIST, REFORMIST GROUP WHICH RANGES FROM HAWK TO DOVE ON SECURITY ISSUES.
-- DECEMBER 13. ASHER YADLIN, A PROMINENT HISTADRUT OFFICIAL NOMINATED TO BE THE CENTRAL BANK GOVERNOR, WAS INDICTED FOR BRIBERY AND FRAUD.
-- DECEMBER 19. RABIN EXPELLED THE NATIONAL RELIGIOUS PARTY (NRP) FROM THE GOVERNMENT.
-- DECEMBER 20. THE RABIN GOVERNMENT RESIGNED.
-- JANUARY 3. HOUSING MINISTER OFER, UNDER INVESTIGATION FOR EMBEZZLEMENT OF PUBLIC FUNDS, COMMITTED SUICIDE.
-- JANUARY 11. DEFENSE MINISTER PERES ANNOUNCED HIS CANDIDACY FOR THE LABOR PARTY NOMINATION FOR PRIME MINISTER.

SIGNIFICANCE OF RECENT DEVELOPMENTS.

LABOR'S ELECTORAL PROSPECTS HAVE ALREADY BEEN HURT AND PROBABLY WILL SUFFER MORE DAMAGE AS THE YADLIN TRIAL, SCHEDULED TO BEGIN NEXT MONTH, DIVERTS PUBLIC ATTENTION ON CORRUPTION IN THE PARTY.

THE GROWING POLITICAL SCANDAL, WHICH BECAME SERIOUS WITH YADLIN'S INDICTMENT ON DECEMBER 13, BECAME GRAVE ON JANUARY 3, WITH OFER'S SUICIDE. THE SCANDAL MAY ENGULF FINANCE MINISTER RABINOWITZ, THE MOST IMPORTANT FIGURE IN THE LABOR PARTY AND RABIN'S PRINCIPAL SUPPORTER. SEVERAL OTHER PROMINENT MINISTERS AND
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LABOR PARTY FIGURES MAY ALSO BE IMPLICATED.

THE NEW YADIN AND SHARON PARTIES ARE EXPECTED TO MAKE A GOOD SHOWING IN THE ELECTION, THANKS TO THE PERVASIVE DISCONTENT WITH LABOR AND THE RELUCTANCE OF MANY DISCONTENTED ISRAELIS TO VOTE FOR LIKUD. YADIN'S GAINS WILL BE PRIMARILY AT THE EXPENSE OF THE LABOR ALIGNMENT (THE LABOR PARTY AND ITS MAPAM ALLY) AND THE SMALL PARTIES OF THE CENTER. (THE FREE CENTER PARTY ON JANUARY 13 JOINED YADIN'S PARTY AND AN INDEPENDENT KNESSET MEMBER, FORMERLY WITH LIKUD, HAD DONE SO EARLIER.) SHARON'S GAINS WILL COME AT THE EXPENSE OF LIKUD AND TO A LESSER

EXTENT THE LABOR PARTY. THE ANTICIPATED SHOWINGS OF THE YADIN AND SHARON PARTIES WILL NOT ALTER SIGNIFICANTLY THE DOVE/HAWK BALANCE IN THE KNESSET OR IN ISRAELI SOCIETY. THIS JUDGMENT DERIVES FROM THE EXPECTATION THAT YADIN'S PARTY WILL DRAW MOST OF ITS SUPPORT FROM LIKE-MINDED INDIVIDUALS WHO WOULD OTHERWISE VOTE LABOR, WHILE SHARON WILL DERIVE MUCH OF HIS BACKING FROM VOTERS WHO WOULD OTHERWISE SUPPORT LIKUD. HOWEVER, LABOR'S ELECTORAL LOSSES WOULD MAKE IT DIFFICULT FOR LABOR TO FORM A GOVERNMENT BECAUSE LABOR WILL NEED, IN ADDITION TO YADIN, AT LEAST ONE OTHER MAJOR COALITION PARTNER. LIKUD'S VOTE IS EXPECTED TO HOLD STABLE, WHILE THE ALIGNMENT'S LOSSES WILL BE TO YADIN AND SLIGHTLY TO SHARON, WHOSE STRENGTH WILL PREVENT LIKUD GAINS.

INDICATIONS ARE, THEREFORE, THAT THE ELECTIONS COULD VERY WELL END LABOR HEGEMONY. ONE RECENT OPINION POLL, TAKEN BEFORE OFER'S SUICIDE, HAD THE ALIGNMENT LOSING 17 SEATS, WITH YADIN'S PARTY PICKING UP 18. WHILE LABOR'S LOSSES IN THE ELECTIONS MAY NOT BE THIS GREAT, LIKUD STANDS A FAIR CHANCE OF OVERTAKING THE LABOR ALIGNMENT AS THE LARGEST BLOC IN THE KNESSET. IT HAS A VERY GOOD CHANCE OF WINNING MORE SEATS THAN THE LABOR PARTY ALONE.

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